

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 778 - HB 1059

March 14, 2015

SUMMARY OF BILL: Creates a Second Amendment Tax-Free Weekend for sales of firearms, firearms ammunition, and firearm accessories made during the same three-day period of the annual sales tax holiday occurring in the month of August for clothing, school supplies, and computers. Holds local governments harmless from loss of sales tax revenue.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$203,700

Increase State Expenditures – \$83,100

Assumptions:

- Based on the United States Fish and Wildlife Service data on firearms spending in 2012, assuming an annual three percent growth rate, and assuming that Tennessee accounts for two percent of such spending, the total spending on firearms, firearms ammunition, and firearm accessories, as specified in the proposed legislation, is estimated to be \$103,970,723 in Tennessee.
- Due to most of the hunting season opening dates taking place between August and November, firearm sales in the month of August are estimated to be higher than the average monthly sales in any given year. To account for this, August firearm sales are increased by twenty percent.
- The average August sales, under current law, are estimated to be \$10,397,072 $[(\$103,970,723 / 12) \times 120.0\%]$. The average daily sales are estimated to be \$335,389 $(\$10,397,072 / 31)$ under current law.
- Firearms sales are estimated to triple during the three-day sales tax holiday, mostly as a result of customers shifting their purchases to the holiday that would otherwise occur in months close to August. Therefore, the annual tax-free holiday sales are estimated to be \$3,018,501 $(\$335,389 \times 3 \text{ days} \times 300.0\%)$.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The proposed sales tax holiday is estimated to result in a net recurring decrease in state sales tax revenue of \$203,653 $[(\$3,018,501 \times 7.0\%) - (\$3,018,501 \times 7.0\% \times 3.617\%)]$.
- The recurring increase in state expenditures for holding local governments harmless from the loss of local option and state-shared sales tax revenue is estimated to be \$83,104 $[(\$3,018,501 \times 2.5\%) + (\$3,018,501 \times 7.0\% \times 3.617\%)]$.

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- Any increase in sales tax revenue as a result of tax savings being spent in the economy is estimated to be not significant.
- The Department of Revenue currently has resources for administering the annual sales tax holiday occurring each August. Any additional duties can be performed with existing staff without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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